

Five-Year Financial Outlook and Assumptions

Baseline price and volume assumptions

1. FY2018 IFP with January 2018 prices
2. Market dominant prices increase at CPI for FY19 and beyond
3. Competitive price increases:
 - I. FY18: USPS prices
 - II. FY19-FY23: [REDACTED]
4. Recession in 2019, impacting volumes and revenues over period 2019-2023 mimicking half the impact of the Great Recession. The impact is applied smoothly across the period.
5. Volume declines to [REDACTED] billion pieces by 2023
 - I. FY16-FY17: -3.1%
 - II. CAGR FY18-FY23: [REDACTED]

Detailed summary of baseline volume assumptions:

	Percent Change FY16 – FY17	CAGR FY18 – FY23 Baseline (with recession)	CAGR FY18 – FY23 Optimistic Scenario (no recession)
First-Class Mail	-4.1%	[REDACTED]	[REDACTED]
Single-Piece	-6.2%	[REDACTED]	[REDACTED]
Presort	-2.9%	[REDACTED]	[REDACTED]
Marketing Mail	-3.2%	[REDACTED]	[REDACTED]
Packages and Parcels	11.4%	[REDACTED]	[REDACTED]
Total	-3.1%	[REDACTED]	[REDACTED]

Baseline personnel compensation assumptions

1. [REDACTED]
2. [REDACTED]
3. [REDACTED]
4. [REDACTED]
5. RHB, CSRS, and FERS payments are paid and expensed in FY2018 and beyond
 1. RHB normal cost (average ~\$4.0 billion per year)
 2. RHB amortization payments (average ~\$1.4 billion per year)
 3. CSRS amortization payments (~\$1.6 billion per year)
 4. FERS amortization payments (~\$0.9 billion per year)
 5. FERS normal cost funding assumed 14.5% for FERS, 15.1% for FRAE

6. No assumptions regarding accounting changes or workers' compensation adjustments

Baseline non-personnel expense assumptions modeled in baseline

1. November Global Insight indices used for inflation
2. Transportation expenses grow [REDACTED] annually
3. Supplies & Services grow [REDACTED] annually
4. All other non-personnel expenses grow [REDACTED]

Volume, revenue and cost assumptions vary for other scenarios

1. CPI+2% – assumes CPI+2% annual price increases for market-dominant products, with consequent operational savings
2. Optimistic – assumes there is no recession, with consequent slower decline in volume and reduced operational savings
3. Optimistic + 2% – assumes both CPI+2% annual price increases for market-dominant products and no recession